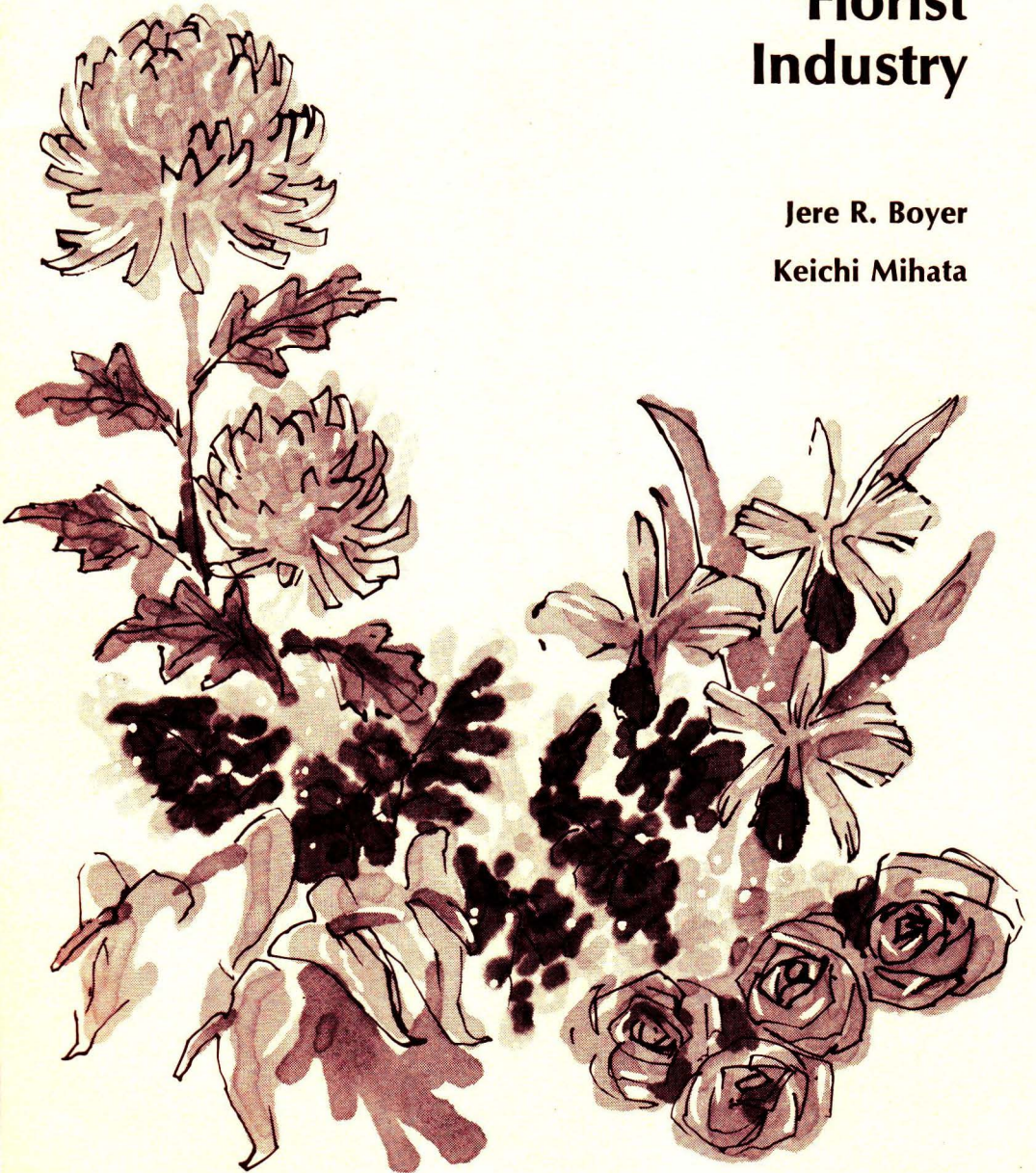
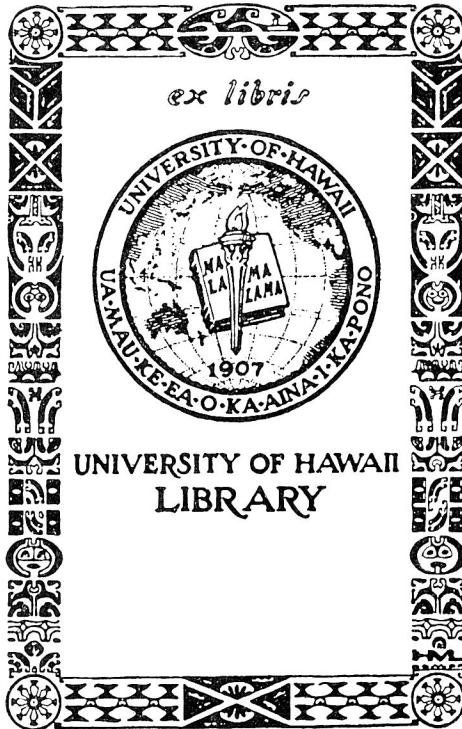


# Oahu's Retail Florist Industry

Jere R. Boyer

Keichi Mihata





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## INTRODUCTION

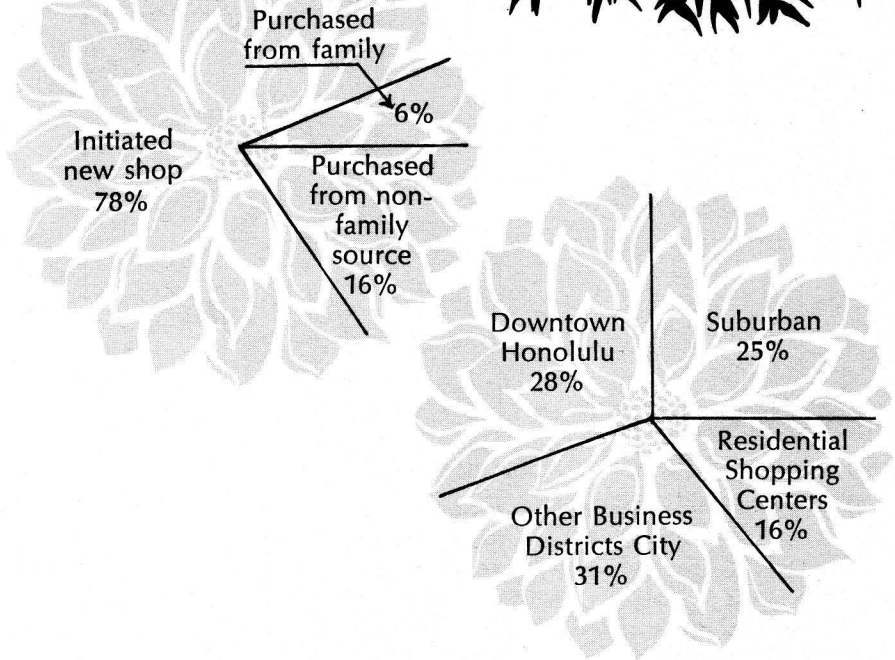
The information contained in this circular helps individual florists to compare their operation with the Oahu florist industry as a whole and to compare Oahu florist businesses with national retail florist operations. It deals with shop characteristics, management and labor force, floral products and their use, customer services, promotional activities, and florists' comments on improvement of their industry.

Other than in a short summary found in the appendix, data on national operations will not be reported in this circular since this information is available in *A Graphic View of the Retail Florist Industry*, a publication issued by the Economic Research Service, U.S. Department of Agriculture.<sup>1</sup>

Data were obtained by personal interviews with florists representing approximately 40 percent of the Oahu florist business. The florists included in this survey are located in downtown Honolulu, residential areas, and suburban windward and leeward areas. Because the total number of florist shops on Oahu is relatively small, average percentage figures were compiled from operations of all sizes. For certain data helpful in comparing a single business operation with the industry as a whole, the range is also given.

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<sup>1</sup>Marketing Research Report No. 788 (1967).



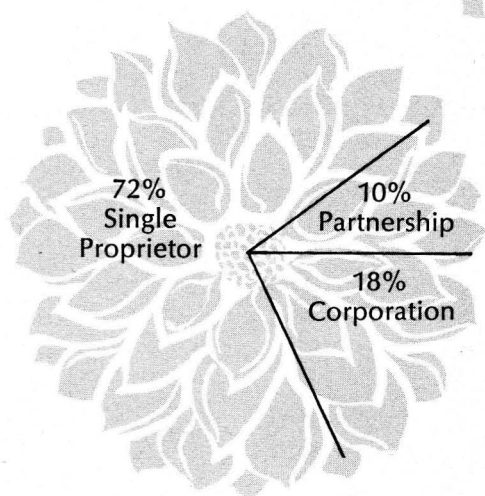
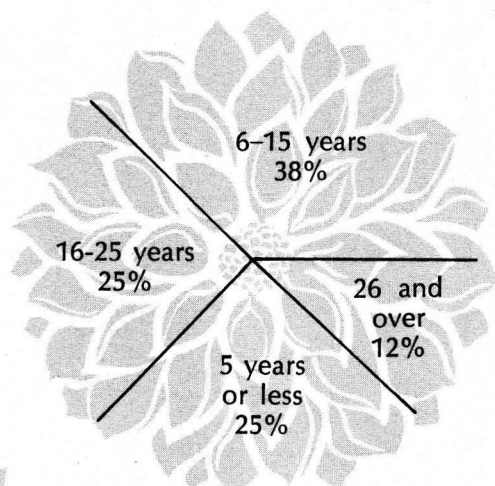
### Shop Location

Most florist shops are located in the more densely populated areas of greater Honolulu, from the Kalihi district to the Aiea district. Nearly 75 percent of all florist shops are located in these business districts, including downtown Honolulu. The remainder of the shops are located in various windward and leeward communities.

### How Florists Acquired Their Shops

About 75 percent of the florists built their shops new but most indicated they had some prior experience with the florist business before building. Only about 25 percent indicated that they purchased an established business whether it be from a member of the family or other non-family person.





### Type of Business Structure

Most florists operated their businesses as a single ownership, thus waiving any protection rights of limited corporate liability. Only one in five are incorporated, and these are usually the larger or multi-shop operations.

### How Long They Have Been In Business

Only about a third of the florist shops were operating during or before World War II. Most of the larger florists fall in this group. Nearly two-thirds of the florists in business today began operating since 1953. Except for shops located in hotels, very few have been built in the past five years.

### Average Hours Open Per Week by Store Size

Size class	Annual sales volume (\$1,000)	Hrs./ week
A	25 or less	60
B	25 - 50	65
C	50 - 75	67
D	75 or more	63

Small shops, classified as A (\$25,000 or less per year), tend to be open slightly fewer hours. However, these shops are mostly a one- or two-person operation. These individuals put in more hours per person per week than do the larger shops.

### Condition and/or Use of Shop Areas

	Good	Average	Fair	Poor
Sales area	15%	54%	23%	8%
Cooler	10	35	35	20
Refrigerated display case	22	39	39	0
Window	5	18	64	13

Nearly a third of the shops had poorly arranged or unsightly sales areas. Better than half had average facilities and much could be done to improve the looks and the working conditions of the sales area. Nearly 50 percent of the cooler cases were in fair to poor shape mostly because of age and lack of upkeep. About 60 percent of the refrigerated display cases were in average or better condition. Most of these cases were fairly modern.

Almost 80 percent of the shops made little or no use of their display windows to merchandise or to build a shop image.

### An Average Size Shop

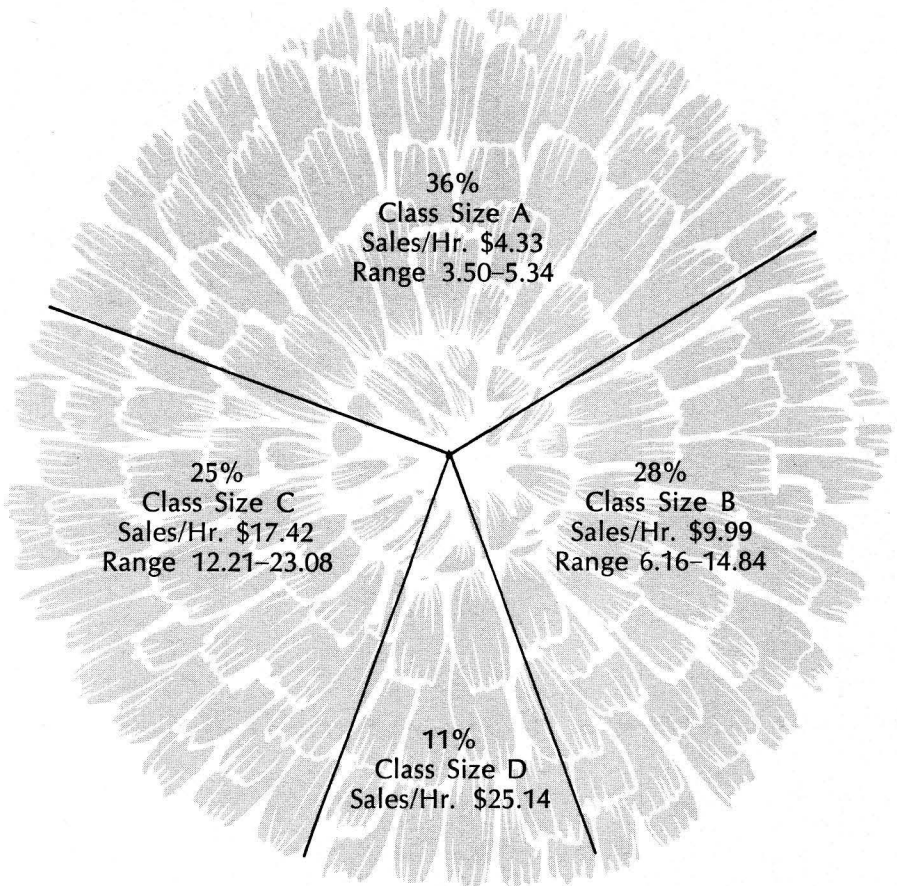
display case 42 sq. ft.	storage cooler 60 sq. ft.
Sales Area 400 sq. ft.	
window 18 linear ft.	
total frontage 24 linear ft.	

In the average shop, about 75 percent of the frontage is devoted to the display window. Practically all shops have a refrigerated display case. The frontage of display cases averages 10 linear feet. Annual sales volume and the physical size of the shop are not necessarily related. Some of the smaller shops do a large annual sales volume, and the reverse of this situation was also found to be true.

### Percent of Florist Shops Open During Specified Hours of the Day

		AM					PM		
	7	8	9	/	5	6	7	8	9
Monday	3	56	100		78	19	13	3	3
Tuesday	3	56	100		78	19	13	3	3
Wednesday	3	56	100		78	19	13	3	3
Thursday	3	56	100		78	19	13	3	3
Friday	3	56	100		78	19	13	3	3
Saturday	3	56	100		78	19	13	3	3

More than half of the florists are open for business by 8:00 a.m. Monday through Saturday; all shops are open from 9:00 a.m. to 4:00 p.m. Monday through Saturday. As few as 3 percent are open until 9:00 p.m. with 80 percent of the shops closed by 6:00 p.m. Nearly 50 percent of the florists are open from 8:00 a.m. to 12:00 p.m. Sundays. Shops in the Waikiki area, catering primarily to the tourist trade, tend to stay open longer hours. Nearly 70 percent of the shops are open during some part of Sunday morning; although very few florists are open on Sunday afternoon.



**Percentage of Stores  
in Class Size and Average Sales Per Store Hour Open**

There are a larger number of small or A-size shops than any other class size. The sales per hour for small shops is only \$4.33. B-size shops have twice the sales per business hour of A shops while C shops have more than four times the sales per hour. D-size shops have more than six times the sales volume per business hour of A shops. Factors used to group shops might have affected the sale range of the three groups. Location of shops has a definite influence on sales volume. Shops located in areas where there is heavy pedestrian traffic tend to have higher sales volumes regardless of the physical size of the shop. It was observed that in some cases shops with similar store hours, locations, and physical characteristics varied greatly in sales volume. The only observed differences were in the condition of the shops and the degree to which merchandising and advertising were employed.





**Percent of Shops Employing  
Family and Non-Family Labor According to Shop Size**

	<b>All Shops</b>	<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>
Family labor only	57	100%	75%	30%	0%
Family and non-family part-time	35	0	0	40	100
Family and non-family labor	43	0	25	70	100
Family part-time only	15	30	0	10	0
Management of Shops:					
Owner-manager					84%
Non-family manager					16%

Fifty-seven percent of all shops employed only family members. By size category, all the A shops used family help only, 75 percent of the B shops and 30 percent of the C shops used family help, and all D-size shops used both family and non-family labor. Only 15 percent of all shops indicated they use part-time family labor. A-size shops used more part-time family help than any other size category, although only 30 percent of them indicated they used part-time help. Shops employing both family and/or non-family part-time help comprised 35 percent of all florists regardless of size. Seventy-nine percent of all florists hired only one employee in addition to the shop manager.



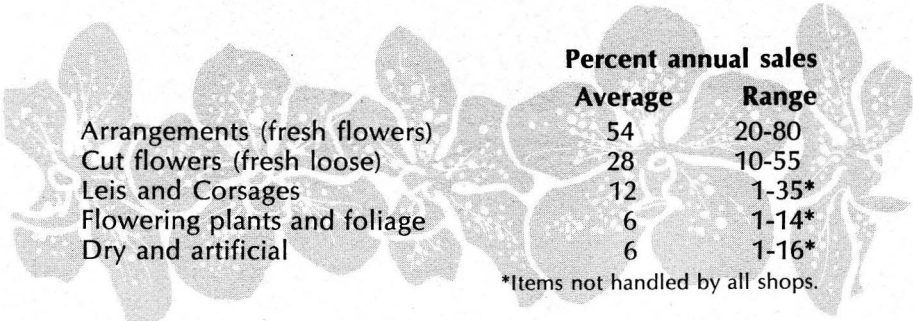
### Flowers Most Frequently Used and Source of Supply

	<u>Source of supply</u>	
	Hawaii	Mainland
Flowers ranked in order of use frequency	percent of total	
1. Anthuriums	100	—
2. Carnation	35	65
3. Chrysanthemum (large & small)	55	45
4. Roses	89	11
5. Tropicals (Ginger, Bird of Paradise, etc.)	100	—
6. Orchids	100	—
7. Gladioli	65	35

Although nearly all types of flowers are in short supply at one time or another, florists reported carnations, roses, and gladioli were frequently difficult to obtain from Island sources. Even when local growers can provide quantity, the quality is frequently poor. Because of the quality and supply situation, florists are purchasing 65 percent of the carnations, 45 percent of the chrysanthemums, and 35 percent of the gladioli from Mainland sources.

Only 11 percent of the roses are currently purchased from Mainland sources, but this percentage is increasing each year. Two factors noted about roses are that the cost of purchase from the Mainland is high and that locally grown roses repeatedly have low quality. Consequently, florists are using other flowers in place of roses for floral arrangements.

### Floral Items Handled by Florists

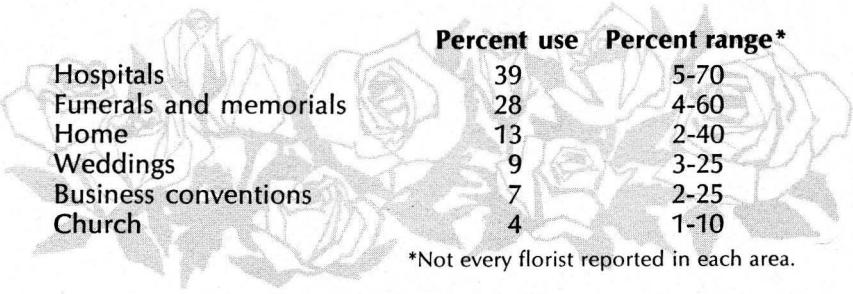


	Percent annual sales	
	Average	Range
Arrangements (fresh flowers)	54	20-80
Cut flowers (fresh loose)	28	10-55
Leis and Corsages	12	1-35*
Flowering plants and foliage	6	1-14*
Dry and artificial	6	1-16*

\*Items not handled by all shops.

Most florists indicated that 50 percent of their business is for floral arrangements. There was a rather large variation or spread in their reports, ranging from 20 to 80 percent for arrangements. The main factors were location and type of customers served (for example, located adjacent to funeral home or tourist trade). Over 25 percent of the florist business consists of sales of fresh-cut flowers. Leis and corsages account for a little more than 10 percent. The reason florists do not sell more leis and corsages in relation to their total volume is the price competition from lei vendors.

### Distribution of Flowers According to Customer Use



	Percent use	Percent range*
Hospitals	39	5-70
Funerals and memorials	28	4-60
Home	13	2-40
Weddings	9	3-25
Business conventions	7	2-25
Church	4	1-10

\*Not every florist reported in each area.

Nearly 70 percent of all flowers sold to customers are for hospital or memorial use. Again, a wide range was reported, due mainly to shop location and type of customers. The next largest use by customers is for home or special occasions, and this amounts to slightly less than 15 percent.



### **Sales Agreements with Other Florists**

Thirty-four percent of all florists have formed agreement of sales with Mainland florists as a result of membership in national organizations. Seventy-two percent of the shops indicated that they occasionally pass a sale on to other florists located in some other area of Oahu. The reason usually given for this practice was that florist wants to assist a regular customer. That is, the delivery costs would be too great if the florist was to take the order and have to deliver a great distance. Fifty-six percent of the shops indicated they would interchange sales with neighbor island florists for the customers', as well as their own, convenience.

### **Telephone Sales**

Sixty-six percent of all shop sales are made by phone. Twenty percent of the shops indicated that they give after-hour service.

### **Customer Credit**

Eighty-eight percent of the florists offer customer credit. The most common of the credit information required of customers is name, telephone number, and address. Many florists make somewhat irrational decisions on extending credit, such as by comparing a customer's address to the district in which he lives. Several florists reported that they would extend credit to a customer who had come into their shop at least once. Very few florists require a customer to fill out a credit application form.

### **Customer Parking**

Twenty-eight percent of the shops did not have any customer parking available. Shops that said parking was available actually were depending on a limited number of street parking spaces. Much of this space was metered.

### **Free Delivery**

Eighty-four percent of the shops indicated free delivery was available for customers. There was, however, a minimum order of \$4.25 for hospital deliveries and \$5.75 for home deliveries. For hospital deliveries, the range of minimum order required was from \$3.50 to \$5.00 and for home delivery, from \$3.50 to \$10.00. Nearly two-thirds of the florists estimated that the cost for a delivery made within a 8- to 10-mile radius would average 65 cents. Thirty-four percent of the florists had no idea what their delivery costs were.



### Merchandising

Most of the florists do not feature a particular item as a means of stimulating walk-in sales. In fact only about one-half of the shops displayed live-flower arrangements in anticipation of sales. Only 12 percent indicated they featured a special floral product, while 25 percent used a specific type of arrangements as a means of increasing sales.

### Wholesale Retail Selling Price for Flowers Cut and Arranged

Wholesale Cost	Retail Unarranged Average Range	Retail Arranged Average Range
.75	1.50 1.25- 2.50	2.50 1.75- 4.00
1.25	2.50 2.00- 4.00	3.75 2.50- 5.00
3.50	7.00 6.00-15.00	7.75 7.50-20.00

Most of the smaller shops tend to double their wholesale cost when selling unarranged flowers (assuming high quality). If the flowers are arranged the florist doubles his wholesale cost and adds another dollar for his labor, cost of accessories, and container. This is generally the case with lower priced arrangements but with larger orders the florist may price his arrangement three or four times over his cost. Pricing practices also vary somewhat between larger and smaller florists as well as those who cater to the tourist trade.



## **Advertising**

Name insertion in the yellow pages of the Oahu telephone directory was the most popular method of advertising by florists. In fact, a great many shops limit their advertising to that method. Slightly more than half of the shops have single-line name ads. Only one-third have advertising according to plan and that is usually based on a fixed expenditure or on the experience of previous years. One percent of total sales is generally allocated for advertising purposes. In short, advertising methods are rather inflexible and limited in effectiveness. Twelve percent of the shops feature a special floral product to promote sales. Twenty-five percent of the shops indicated that they feature specific arrangements and/or corsages to increase sales.

## **Window Display**

Fifty-six percent of the florists indicated the use of window display for their floral products. Of those, about half indicated that they changed displays weekly while the rest used window displays only on special occasions.

## APPENDIX



The following are samples of the comments made by florists when asked for suggestions for changing or improving the industry:

- "Competitive pricing—not cut-throat pricing"
- "Sell quality flowers to customers"
- "Retailers need to consider their operating costs when pricing"
- "Growers should improve quality of flowers"
- "Florists need cooperative purchasing of flowers"
- "Wholesale supply houses do not carry what is needed by florists"
- "Growers don't bring in clean undamaged flowers"
- "Better grading of flowers at farm"
- "Fair distribution of flowers by growers"
- "Greenhouse construction to develop more dependable supply of flowers"
- "Pricing methods could be improved"
- "Supply of flowers may be improved locally"
- "Control peddlers at cemeteries"
- "Farmers' attitudes present a problem"
- "Super markets using flowers as loss leaders"
- "Growers should standardize products"
- "Steady supply of flowers"
- "Better packing of flowers when shipping"
- "Discard old flowers from display areas"
- "Shortage of flowers when needed"

These comments point up the serious problems faced by retail florists, such as:

*Pricing*—One of the most controversial problems a florist faces is the pricing of his product. The basic problem seems to be that many florists, particularly the small one or the two-man operations, tend to neglect or fully evaluate all of the costs of operation. For example, a self-employed florist frequently fails to give the proper weight to his salary as a definite

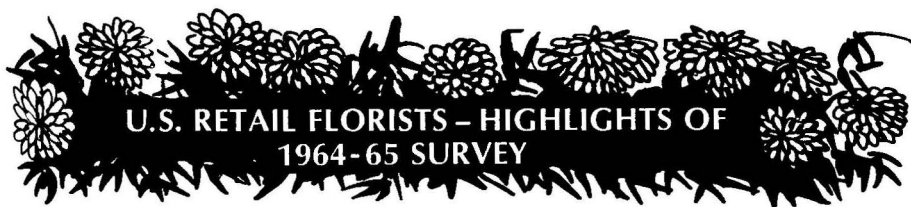
business expense. Also, for most Hawaiian-grown floral products, retail prices are based on a rather static annual wholesale price. This situation makes price variation as a merchandising method a rather ineffective and little used practice.

*Delivery* — Another controversial problem is how and how much to charge for product delivery. Some florists deliver the same product arrangement to various locations on Oahu but charge varying prices according to delivery districts. Others quote basic price levels for their arrangements but alter the actual arrangement as to number of flowers, accessories, and containers used as a method of averaging delivery expenses.

During the interviews a few florists recognized that one of the safest and best accepted methods is to standardize the quantity and quality at various price levels and then to quote the customer a specific delivery cost based on distance from the shop. A further refinement of this method is for the florist to know the average cost of a single delivery and either quote a single delivery charge to his customer or indirectly relate a uniform charge when quoting a customer a retail price. This method is in limited use but should be adopted in a systematic way. A great deal of attention must be given to the delivery charges for the florist must maintain his competitive position in arrangement design, and prices, at the same time receive fair compensation for delivery service.

*Quality* — Florists indicated the quality problem has two sides. On the one hand, the growers are to blame for the poor-quality flowers that appear at times on the local market. On the other hand, poor quality is sometimes a result of the retailer's poor buying habits. For example, an oversupply of a product will result in the sale of less fresh and many times poorer quality flowers. The important factor is, however, to have a dependable supply of quality floral products at all times. If local producers are not either able or willing to meet this requirement, the florist will tend to purchase more products from mainland sources.

*Supply* — A problem closely related to quality is that of dependable supply. Mainly because flowers are grown in the field and subject to uncontrollable environmental conditions, periods of limited supply have frequently occurred through the years, often at critical times of peak demand, causing hardship to both growers and retail florists. Greenhouse culture should be considered and the increased costs of this operation should be placed in a proper perspective, in terms of improved efficiency, less product spoilage, and possible expansion of markets.



## U.S. RETAIL FLORISTS - HIGHLIGHTS OF 1964-65 SURVEY

### **Retail florists operate 22,000 shops that--**

serve as major outlets for a \$360 million agriculture crop;  
account for over \$1 billion in sales annually;  
provide nearly 100,000 jobs;  
are concentrated in downtown or other in-city business districts;  
open at 9 a.m. and close at 6 p.m.; and  
are owner-initiated businesses in 50 percent of the cases.

### **Most florists are owner-managers--**

who are small businessmen with annual sales under \$50,000;  
who work an average of 52 hours per week while their full-time employees average 44 hours per week.

### **Florists--**

purchase most of their perishable supplies;  
do not practice cooperative or group buying;  
do most of their buying by telephone;  
use standing orders on a limited basis;  
rely on wholesale suppliers for information on supply levels and condition of perishables; and  
would like additional supply information reported regularly and some standardization of quality.

### **About one of--**

four florists receives a discount from suppliers for prompt payment of bills;  
eight is penalized by suppliers for late payment of bills; and  
11 receives supplies by c.o.d. delivery.

### **Most retail florists--**

offer almost unlimited free credit;  
use their own vehicles for most deliveries;  
provide free parking, even though the majority of sales are delivered; and  
provide worldwide coverage in transmitting orders.

### **Very few florists offer self-service; some--**

favor self-service (one out of five) for some locations, for holidays or other busy periods, or to increase in-store traffic;  
considerable self-service ineffective because customers need personal service.

**Florists--**

depend on funerals for nearly half their sales;  
rely on the telephone for the majority of their business;  
find that arrangements account for over half their sales;  
find that artificial flowers account for 7 percent of total gross sales.

**Some florists--**

consider mass market outlets as detrimental to sales in their shops;  
operate floral concessions in mass markets and more would be interested  
if offered attractive or profitable arrangements.

**Florists--**

favor in-store customer traffic to stimulate sales; and  
have difficulty promoting in-store traffic in locations with light pedestrian  
traffic.

**Florists--**

use window displays to stimulate sales;  
change displays often to attract attention;  
display prepared arrangements in their shops on a limited basis; and  
consider supplies of in-store promotional materials insufficient, although  
some would like to have these materials improved.

**Florists--**

spend less than 2 percent of gross sales on advertising;  
primarily use newspapers and yellow pages to advertise; and  
orient most of their advertising toward special occasions, stressing shop  
image rather than product use.

**Florists who feature specific floral products--**

generally charge regular prices for them; and  
have found prepared arrangements and cut flowers to be most successful.

**Few florists have financing problems--**

only a third find it necessary to borrow (to finance supplies, pay current  
bills, buy equipment, and to expand or remodel);  
only 4 out of 100 who apply for loans are refused; and  
those with problems can improve ability to borrow by:  
improving management practices,  
keeping bad debts and losses down,  
paying promptly to get discounts,  
building reserves, and  
establishing good relations with lending institutions.

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\*Source: "A Graphic View of the Retail Florist Industry," U.S.D.A., Economic Research Service M.R.R. No. 788.



COOPERATIVE EXTENSION WORK IN AGRICULTURE AND HOME ECONOMICS  
COLLEGE OF TROPICAL AGRICULTURE, UNIVERSITY OF HAWAII, HONOLULU, HAWAII 96822  
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**Circular 434**

**May 1969**